

FINANCE COMMISSION OF TEXAS

MEETING DATESApril 20, 2012

MEETING LOCATIONTexas Capitol Extension
1100 Congress Avenue
Hearing Room E2.028
Austin, Texas

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FUTURE MEETING DATESJune 15, 2012
August 17, 2012
October 19, 2012
December 14, 2012

**** The State of Texas fiscal year begins September 1 and ends August 31. The dates noted meet the minimum statutory requirement of six meetings per calendar year. TEX. FIN. CODE §11.106.**

Meeting Accessibility. Under the Americans with Disabilities Act, the agency will accommodate special needs. Those requesting auxiliary aids or services should notify Tammy King Wooten several days prior to the meeting using the contact information above by mail, telephone, or email.

AGENDA

Finance Commission of Texas

STUDY COMMITTEE MEETING

Friday, April 20, 2012
8:45 a.m.

Hearing Room E2.028, Texas Capitol Extension
Austin, Texas 78701

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission agencies is allowed unless the comment is in reference to a rule proposal for which the public comment period has ended. However, upon majority vote of the Commission, public comment may be allowed related to final rule adoption.

- A. Review and Approval of Minutes of the Thursday, February 16, 2012, Study Committee Meeting.
- B. Progress Report on the Finance Commission Study of Fees, Costs, Interest, and Other Expenses Charged in Connection with the Transfer of Property Tax Liens.
- C. Discussion of and Possible Vote to Adopt Finance Commission of Texas Procedures Regarding Potential Conflict of Interest.

NOTE: The Study Committee may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Accessibility: Under the Americans with Disabilities Act, the Finance Commission of Texas will accommodate special needs. Those requesting auxiliary aids or services should notify Tammy King Wooten, Finance Commission of Texas, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

MINUTES OF THE
Finance Commission Study Committee Meeting

Thursday, February 16, 2012

The Study Committee of the Finance Commission of Texas met Thursday, February 16, 2012, in Hearing Room E2.028, Texas Capitol Extension, 1100 N. Congress Avenue, Austin, Texas.

Members in attendance:

Darby Byrd, Study Committee Chair
Paul Plunket, Study Committee Member
Larry Patton, Study Committee Member
Victor Leal, Study Committee Member

Others in attendance:

Bill White, Finance Commission Chair
Susan Burton, Finance Commission Member
Stacy London, Finance Commission Member
Lori McCool, Finance Commission Member
Jonathan Newton, Finance Commission Member
Jay Shands, Finance Commission Member
Doug Foster, Executive Director to the Finance Commission and Commissioner, Texas Department of Savings and Mortgage Lending (SML)
Charles Cooper, Commissioner, Texas Department of Banking (DOB)
Leslie Pettijohn, Commissioner, Office of Consumer Credit Commissioner (OCCC)
Jim Crowson, Assistant Attorney General, Office of the Attorney General

Study Committee Chair Darby Byrd announced a quorum was present, with all Committee Members (Mr. Plunket, Mr. Patton, and Mr. Leal) present. He welcomed new Finance Commission Member Victor Leal to the Study Committee, and called the meeting to order at 2:00 p.m.

A. Review and Approval of Minutes of the August 18, 2011, Study Committee Meeting.

Paul Plunket made a motion to approve the minutes of the August 18, 2011, Study Committee meeting. Larry Patton seconded and the minutes were adopted.

B. Discussion of the Finance Commission Study of Fees, Costs, Interest, and Other Expenses Charged in Connection with the Transfer of Property Tax Liens.

Committee Chair Byrd opened by giving an overview regarding SB 762, requiring the study of property tax lending be conducted and a report submitted by June, 2012.

Commissioner Pettijohn provided background on the legislative mandate and detailed the responses of the proposed property tax loan study methodology from four interested stakeholders. There was discussion regarding the timeline and field work for data collection.

C. Discussion of and Possible Vote to Adopt Finance Commission of Texas Procedures Regarding Potential Conflict of Interest.

Committee Chair Byrd highlighted the Study Committee purpose statement regarding the procedures of potential conflict of interest from a Finance Commission Member or Finance Commission Agency Commissioner.

There was discussion regarding the wording and intent of the proposed conflict of interest policy.

Commission Member Plunket made a motion to table the Study Committee's Conflict of Interest Policy until the next Finance Commission Study Committee meeting. Larry Patton seconded and the motion was adopted.

There being no further business, Committee Chair Darby Byrd adjourned the meeting of the Study Committee of the Finance Commission on Thursday, February 16, 2012, at 2:18 p.m.

Darby Byrd, Chair of the Study Committee
Finance Commission of Texas

Doug Foster, Executive Director of the
Finance Commission of Texas

Tammy King Wooten, Executive Assistant
Finance Commission of Texas

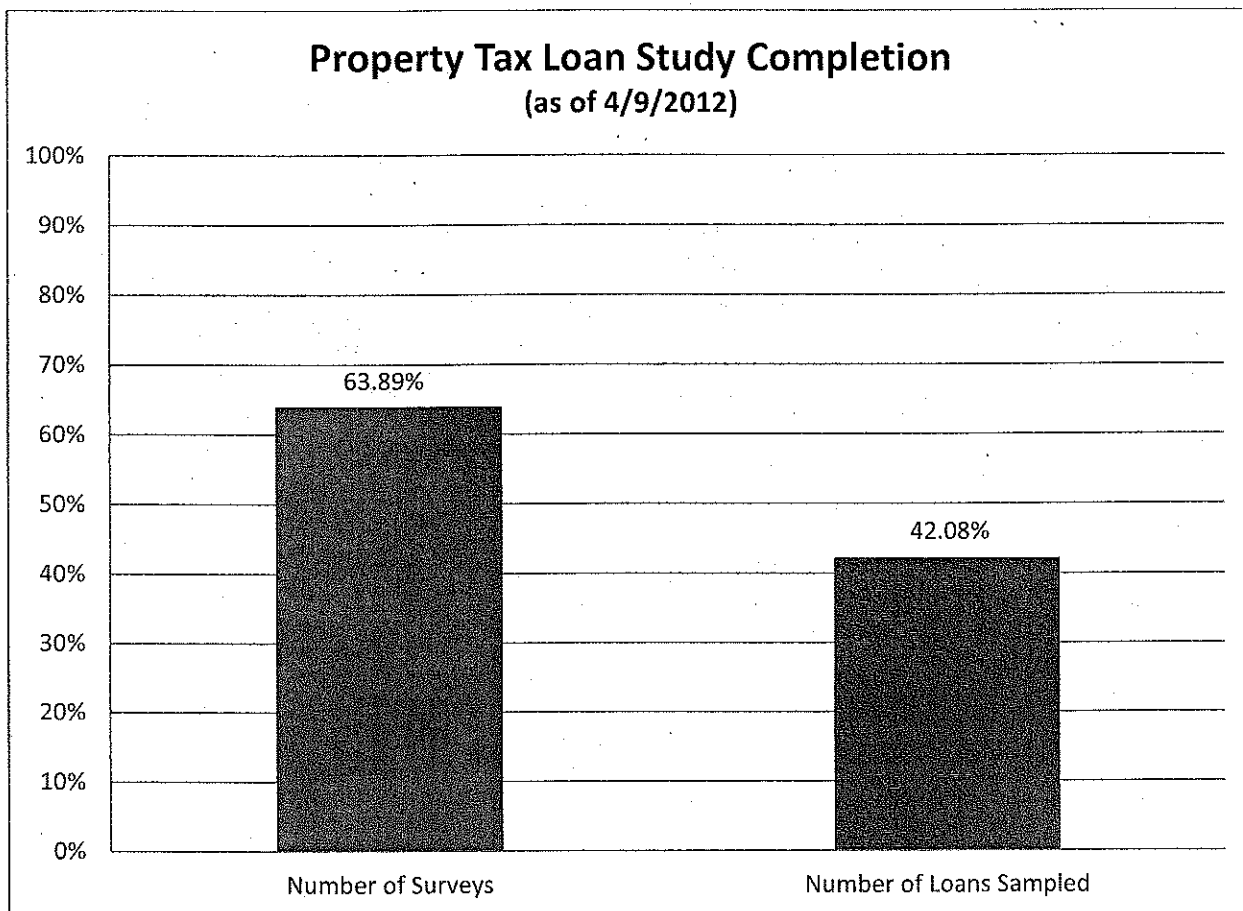
Property Tax Loan Study Report

Study Update

The fieldwork has been the focus of the property tax loan study since March 1, 2012. A total of 23 out of the 36 scheduled exams/surveys have been conducted. The dual-purpose compliance examination and data collection survey is conducted in small teams of examiners at each location. Nine examiners received training in conducting the examination/survey and continue the fieldwork for the larger property tax lenders.

A new questionnaire portion was added to the Property Tax Lender Annual Report which was due on March 31, 2012. Each licensee was required to report specific aggregate loan information which will complement the survey data. Currently, the reports are being checked for accuracy.

Below is a graph reflecting completion of individual licensees surveyed and the current percentage of the total sample to be collected. Due to the weighted nature of the sample based on the size of each licensee's loan portfolio, the remaining 13 surveys will produce 57.92% of the total sample.



Following is the preliminary outline for the report. It is divided into six sections designed to give the reader an introductory background and context to the property tax loan operations, in addition to the analysis of charges, fees, and costs.

Property Tax Loan Study
Executive Summary Outline

- I. Industry overview and background
 - A. Purpose of study
 - B. Tax lien overview
 - 1. Purpose
 - 2. Users
 - 3. Elements of the transaction
 - C. Consolidated reports (last four years of transaction information)
 - 1. Industry presence/growth into perspective
 - 2. Number/amounts of originations, delinquencies, and foreclosures
- II. Background of regulation
 - A. Tax code establishes interest limitations of 18%
 - B. Licensing requirement (2007 Legislature)
 - C. Closing cost rule (January 2008)
 - D. Post-closing fees (2011 Legislature)
- III. Charges and fees
 - A. Closing/Contractual charges
 - 1. Description of common charges
 - 2. Annual report questionnaire
 - a. Methodology
 - b. Results
 - c. Trend/Segmentation analysis
 - d. Other analytics
 - B. Post-Closing/Servicing charges
 - 1. Description of charges
 - 2. Survey
 - a. Methodology
 - b. Results
 - c. Trend/Segmentation analysis
 - d. Other analytics
- IV. Effect of Senate Bill 762 on fees
 - A. Charges that are allowable
 - B. Prohibited charges
 - C. Impact of more transparent regulatory framework
 - D. Available data analysis
- V. Limitations of study
 - A. Business closures
 - B. Fee labels and detail
- VI. Appendices
 - A. Raw aggregate data
 - B. Stakeholder comments